

TRADABLE CAPACITY PRODUCTS

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Background

- D.04-01-050
 - Adopted resource adequacy with an LSE obligation framework
- D.04-10-035
 - Established qualifying capacity rules
 - Authorized a wide range of resource types
- D.05-10-035
 - Clarified monthly capacity versus peak load construct
 - Established required elements for standardized contracts
 - Clarified generator availability to the CAISO
- D.06-07-031
 - Resolved certain regulatory uncertainties
 - Modified the required elements of a tradable, standardized capacity contract
 - Authorized trading via bulletin boards/exchanges

Regulatory Uncertainties

Topic:

- Forced outages
- Scheduled outages
- Title clearinghouse
- Creditworthiness
- Role of intermediaries

Resolution:

- Unit qualifies for entire calendar year
- > 2 weeks does not count for that month, but CAISO changes of schedule do not disqualify the resource
- Current compliance filings are sufficient to assure validity
- CPUC will not impose any standards
- Capacity rights can be sold to non-LSEs and be traded in secondary markets

Tradable, Standardized Capacity Contracts

- D.06-07-031:
 - Clarified regulatory uncertainties
 - Restated requirements for a tradable, standardized capacity contract in contrast to requirements for qualifying capacity
 - Declared that “system” and “local” products are the same thing, local requirements are simply that a generator within specific area is needed by some LSEs to balance loads they have in that area
 - Authorized use of bulletin boards and exchanges, and permits intermediaries to operate to increase liquidity

Tradable, Standardized Capacity Contracts

- Features:
 - Must satisfy qualifying capacity protocols
 - Assured to count for the compliance year following the July 1 update of the QC list
 - Any size, 1MW and larger
 - Described in individual calendar months
 - Not valid for months in which scheduled maintenance exceeds two weeks
 - Obligation on generator to conform to CAISO unit commitment and dispatch remain no matter how many times contract is sold or subdivided
 - Generator warrants total capacity does not exceed net QC for that generator
 - Generator must replace with like capacity if allegations of double selling are upheld by investigation

Tradable, Standardized Capacity Contracts

- Implications of D.06-07-031
 - LSEs and generators have the tools to establish, exchange, and subdivide standardized capacity products
 - ESPs will want to use these in satisfying resource adequacy requirements, especially the fluctuations associated with load migration
 - IOUs may want to use to temporarily sell long positions created by legacy resources versus load-based requirements
 - Generators have a means to sell small volumes to ESPs with lower contracting overhead
- Bilateral capacity product market is what the market will “live with” until/when a more centralized capacity market is developed

Next Steps

- Market participants decide what information is essential versus “nice”:
 - Volumes available, volumes desired, by month
 - Bid/ask prices
 - Location (four local RA areas)
 - Counterparty contact information/facilitation
- CEC sponsoring contract to investigate alternative forms of bulletin board and/or exchange
- Create a bulletin board or exchange to trade among market participants
 - Entrepreneur risks capital and operating costs recovered in transaction fees
 - Subscription fees to participants